



Funding Brownfield Remediation with the Clean Water State Revolving Fund

Brownfields

Many areas across the country that were once used for industrial and commercial purposes have been abandoned or are under-used. Some are environmentally contaminated or perceived to be contaminated. Because developers, municipalities, and other stakeholders fear that involvement with these sites may make them liable for cleaning up contamination they did not create, they are more attracted to developing sites in pristine areas, called "greenfields." The result can be blighted areas rife with abandoned or under-used industrial or commercial facilities that create safety and health risks for residents, drive up unemployment, and foster a sense of hopelessness. These areas are called "brownfields."

Brownfields/Clean Water State Revolving Fund Collaboration

Brownfields sites that suffer from water quality impairment can use the CWSRF as a powerful financial instrument for planned corrective action.

There are currently 51 Clean Water State Revolving Fund (CWSRF) programs (one in each state and Puerto Rico), which operate like banks. They are capitalized through Federal and state contributions. These assets, in turn, are used to make *low or no-interest loans* for important water quality projects. Funds are then repaid to the CWSRFs over terms as long as twenty years. Repaid funds are then recycled to fund other water quality projects. These CWSRF resources can help augment the limited financial resources currently available under the Brownfield Initiative's pilot program to clean up these sites. Brownfield mitigation *to correct or prevent water quality problems* may be eligible for CWSRF funding which includes

1. *Abatement of Polluted Runoff*
2. *Control of Stormwater Runoff*
(Stormwater activities subject to National Pollutant Discharge Elimination System (NPDES) permitting are considered to be a point source and, thus, would have to be publicly-owned in order to qualify for CWSRF

assistance.)

3. *Correction of Groundwater Contamination*
4. *Remediation of Petroleum Contamination*
(Includes assessment and cleanup of petroleum contamination and underground storage tanks, which are not covered under Brownfields/Superfund funding.)

Getting a Project Funded

The list of brownfield projects that may be eligible for CWSRF funding includes, but is not limited to

- ◆ excavation and disposal of underground storage tanks
- ◆ constructed wetlands (filtering mechanism)
- ◆ capping of wells
- ◆ excavation, removal, and disposal of contaminated soil or sediments
- ◆ tunnel demolition
- ◆ well abandonment
- ◆ Phase I, Phase II, and Phase III assessments

Brownfield showcase communities and pilots with such projects are also eligible for CWSRF funding.

The first step in securing CWSRF funding is to get your project/remediation plan on your state's Nonpoint Source Management Plan (NSMP) (Section 319 of the Clean Water Act). Contact your state's CWSRF program for details (requirements, NSMP development, scheduling, restrictions, etc.).

Capacity of the CWSRF

The CWSRF has in excess of **\$27 billion in assets** and has issued almost \$23 billion in loans since 1988. Currently the CWSRF is funding nearly \$3 billion worth of water quality projects annually.

Who May Qualify

Included in a long list of eligible loan recipients are communities, municipalities, individuals, citizen groups, and nonprofit organizations. Since the CWSRF program is managed largely by the states, project eligibility may vary according to the priorities within each state. Contact your

state's CWSRF program for details.

CWSRF History

In creating the CWSRF, Congress ensured that it would be able to fund a wide range of water quality projects, including nonpoint source, wetlands, estuaries, and watershed projects, as well as municipal wastewater treatment systems. The SRF provisions in the Clean Water Act give no more preference to one category or type of project than any other. **However, States ultimately determine funding priorities and project approvals.**

Sources of Loan Repayment

Each state must approve a source of loan repayment as part of the application process. Though finding a source of repayment may prove challenging, it does not have to be unnecessarily burdensome. Many users of the CWSRF have demonstrated a high level of creativity in developing sources of repayment. The source of repayment need not come from the project itself. In fact, in the case of a Brownfields redevelopment, the repayment source should not be based on the speculative success of a real estate development project.

Some potential repayment sources include

- ◆ fees paid by developers on other lands
- ◆ recreational fees (fishing licenses, entrance fees)
- ◆ dedicated portions of local, county, or state taxes or fees
- ◆ property owner ability to pay (determined during loan application)
- ◆ donations or dues made to nonprofit groups
- ◆ stormwater management fees
- ◆ wastewater user charges

Learning by Example

The Grant Realty Company of Ohio received a CWSRF loan for the cleanup of a 20-acre industrial site in Cleveland to prepare the area for commercial reuse. The project involved the remediation of contaminated groundwater and soils using vapor extraction and dual phase vacuum extraction technologies. Their dedicated source of repayment is the income stream from a tank cleaning operation, with a personal loan guarantee and a second position mortgage as collateral. Grant Realty participated in the Voluntary Action Program (VAP) administered by the Ohio EPA, which allows voluntary cleanup of contaminated property in exchange for a release from further cleanup activities.

The Barberton Laundry and Cleaning, a small company located in Barberton, Ohio, used CWSRF financing to undertake phase II site assessment work. The project involves

soil and groundwater sampling to determine the extent of any existing contamination and the scope of any remedial activities needed to prepare the site for reuse. Their dedicated source of loan repayment is the revenue stream from accounts receivable. Private lenders were unwilling to finance this work. This assessment was a critical first step in redeveloping the site.

The State of **Wisconsin** is laying the groundwork for future Brownfields/CWSRF collaboration. They have passed legislation that will allocate \$20 million of their CWSRF (Land Recycling Loan Program) to municipalities to help clean up contaminated properties. Planned interest rates will be 55% of the market rate. Award priority will be based on the project's potential to reduce environmental pollution, threats to public health, and development of pristine land. Currently they are developing their priority ranking system.

Challenges Ahead

EPA has been encouraging the states to open their CWSRFs to the widest variety of water quality projects while still addressing their highest priority projects. Those interested in cleaning up a brownfield site should seek out their CWSRF program, gain an understanding of how their state program works, and participate in the annual process that determines which projects are funded.

For the list of Clean Water State Revolving Fund state contacts or more information, contact:

The Clean Water State Revolving Fund Branch
U. S. Environmental Protection Agency
401 M Street, SW (Mailcode 4202)
Washington, DC 20460
Phone: (202) 260-7359 Fax: (202) 260-1827
internet: www.epa.gov/OWM

For more information on Brownfields, contact:

Outreach and Special Projects Staff
Office of Solid Waste and Emergency Response
U. S. Environmental Protection Agency
401 M Street, SW (Mailcode 5101)
Washington, DC 20460
Phone: (202) 260-4039 Fax: (202) 260-6606
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